

Opening Statement of Chairman Tom Davis
“Entrepreneurial Government Run Amok? A Review of FSS/FTS
Organizational and Management Challenges”

October 2, 2003

11:00 a.m.

Room 2157, Rayburn House Office Building

Good morning, I would like to welcome everyone to today's oversight hearing on the General Services Administration's (GSA) on-going efforts to restructure the organization of the Federal Supply Service (FSS) and Federal Technology Service (FTS) and the impact of recent GSA Inspector General (IG) investigations of FTS contract mismanagement. We will also touch upon GSA's plans for new government-wide telecommunications program.

The hearing today will build on the information on structural and management challenges faced by the two services developed in a hearing held last Congress by my Subcommittee on Technology and Procurement Policy and supplemented by the General Accounting Office (GAO) in work performed for the Subcommittee. Also key are recent revelations of mismanagement in FTS contracting surfaced by the GSA IG and a study of FSS/FTS organizational issues performed by Accenture last year for GSA.

Through various revolving funds, GSA buys products and services from the private sector and resells them to federal agencies. FSS and FTS, which do a combined \$30 billion in business each year, both fit within this model but take different approaches to filling agency customers' needs. FSS, through its Schedules program, provides government agencies with the opportunity to quickly purchase needed products and services, including, of course, IT. Customer agencies deal directly with vendors under their FSS contracts. Used properly, the Schedules have proved to be an invaluable tool for federal contracting officers.

FTS, operating through GSA's special information technology fund, offers federal agencies a range of IT and telecommunications services through varied contract vehicles it has traditionally managed and the Schedules. FTS views itself as a “value added” reseller of telecommunications and IT. FTS offers consulting and extensive contract management solutions to assist federal agencies in complex acquisitions that

require in-depth technical knowledge. FTS seems to have been the primary source of GSA's recent management challenges.

The overlapping and redundant nature of the current structure--FTS is a major user of FSS contracts-- has raised questions related to the relationship between the services. As the result of last year's hearing, GAO work and the Accenture report, the Technology and Procurement Policy Subcommittee found that overlaps existed between FSS and FTS in a number of areas, including information technology sales and marketing and IT contracting offerings. Administrator Perry, to his credit, has embarked upon a realignment effort in an attempt to coordinate the range of services provided to agencies. As a part of this effort, GSA has recently announced the result of a review of its IT contract vehicles. As I understand it, a number of those contracts will not be continued and those that remain will, for the most part, be managed by the FSS.

Notwithstanding these efforts, there have been disturbing revelations of what may well be a pattern of serious contract mismanagement throughout the FTS. The GSA IG has reported inappropriate contracting practices and misuse of the information technology fund by FTS officials at GSA's Bremerton Washington office. I also understand that the IG will soon release another report documenting further contracting abuses by FTS officials in other GSA regions. I believe that the problems are extensive and could involve acquisitions valued at up to \$100,000,000. The Committee is closely following this unfolding story, and we must be ready to remedy the situation if allegations of widespread abuse and mismanagement at FTS prove to be true. Consequently, the Committee intends to explore alternatives, including a possible legislative solution, to the current FSS/FTS structure that would lead to better management oversight of contracting activities.

I am keenly interested in hearing GSA's plans to remedy these growing difficulties and in exploring the relationship of these instances of mismanagement to the underlying FSS/FTS structural issues. Finally, in addition to all of this, GSA will soon issue a Request for Information seeking input for a next generation government-wide telecommunications program. This program is slated to be run by the troubled FTS. While we have yet to see the details of the GSA's telecom proposal, as the specifics unfold, the Committee plans to address issues concerning the appropriate location for this program and whether there is a need for it at all.

In closing I would like to emphasize that the Committee will continue to follow these events. I will not hesitate to propose whatever solutions are needed to resolve GSA's structural and management challenges. We must be able to assure the American taxpayer that GSA provides best value as a supplier of IT products and services to the federal government. If this requires that we mandate a permanent reorganization within GSA, I am prepared to introduce legislation that will do so.